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Globalization and interdependence: integration of the economies in transition into the world economy

Eradication of poverty and other development issues

Operational activities for development

Social development

Letter dated 13 March 2009 from the Permanent Representative of Kazakhstan to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the text of the speech to the people of Kazakhstan, "Through crisis to renovation and prosperity", made by the President of the Republic of Kazakhstan on 6 March 2009 (see annex).

I should be grateful if the text of the present letter and its annex could be circulated as a document of the sixty-third session of the General Assembly under agenda items 51 (e), 53, 54 and 55.

(*Signed*) Byrganym **Aitimova**
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Annex to the letter dated 13 March 2009 from the Permanent Representative of Kazakhstan to the United Nations addressed to the Secretary-General

[Original: Russian]

Speech entitled "Through crisis to renovation and prosperity" made to the people of Kazakhstan by the President in 2009

For almost two decades we have been building, day by day, a new country.

A country that is open and prosperous.

A country where the well-being of Kazakhs is improving year by year.

A country that is politically stable and provides security for its citizens.

A country that no one will ever see as a source of external threat.

The development strategy for Kazakhstan which was adopted for the next few decades, and the experience of translating it into this country's real achievements, have given us confidence in our own strength and a feeling of certainty that we have chosen the right path.

It is for this reason that, from the very outset of the crisis that hit the global financial markets more than two years ago, we developed and have been consistently implementing a comprehensive set of anti-crisis measures.

We are closely watching domestic and external developments and are taking prompt and decisive measures. That is why the global food crisis did not become a national disaster for us.

Today, however, the economic crisis that has already affected the entire global economy is continuing to test our strength.

This crisis came to us from outside. Its origins were not in this country — they are rooted in the imbalances of the global economy.

The crisis could not have been avoided, nor could everything have been foreseen.

The leading economies of the world have already spent more than US$ 10 trillion, or almost 15 per cent of the gross domestic product of the entire world, to overcome it. But so far there has been no improvement in the situation.

The crisis has successively engulfed the American continent, Europe, and Asia.

In all probability, it is going to be a protracted crisis. According to analysts, the global economic downturn has not yet reached bottom.

I expressed my view on the global developments in my article "Keys to the crisis". Reactions to it may vary, but we Kazakhs have contributed our ideas to the general quest for a way out of this crisis. This is not a simple crisis, and a wide variety of solutions is needed.

I am convinced that this global crisis will change the international financial system and, maybe, the political ways in which States are managed. Many people

are recognizing the need for the economy to be managed "in the manual mode" and regulation is becoming crucial to finding a way out of the crisis.

An in-depth and radical approach will therefore help the international community find ways that will safeguard us against future vagaries of the global market economy.

That is why the radical measures which I proposed are going to be discussed by the global community.

My proposal is a contribution to the search for solutions to the global problems.

But the current reality is that the contraction of business activity in the world has brought down the demand for oil and metals, Kazakhstan's principal exports.

Within one year, the price of oil and metals dropped by almost three quarters and one half, respectively.

Our main trading partners and closest neighbours, the Russian Federation and Ukraine, devalued their currencies by 40-45 per cent. We, too, had to let the tenge depreciate in the interests of our producers. Otherwise, Kazakhstan's products would no longer have been competitive. We would have continued to burn through the country's gold and foreign exchange reserves.

Unfortunately, the constant trials and the pressure of the crisis are unrelenting. This is something which you should be aware of.

But you should also rest assured that we are more than just prepared for these trials.

We will overcome them and we will emerge from this crisis as an even stronger and more prosperous State.

We will preserve our positions in the global community.

The establishment of the National Fund was part of our purposeful policy to accumulate savings.

You will remember how much controversy there was about whether or not the Fund should be established or whether it would be better to distribute funds little by little to everyone. What would we be doing now about paying pensions and wages with budget revenue down by 20 per cent?

We did the right thing by establishing the Fund in the good times. This is what should be done by States that care about the future.

In this way, we created a margin of safety, enabling our economy to withstand any potential shocks of this type.

In order to create a viable and resilient economy, we consistently implemented difficult structural reforms, built up our export potential and began to diversify.

That is precisely why we have a solid reserve today and we are in a position to conduct a sound and effective anti-crisis policy.

Most States have responded to the current global crisis by adopting stimulus packages.

Kazakhstan was one of the first States in the world to respond promptly to the increasing turbulence in the global economy and start implementing proactive measures.

In order to maintain the stability of the financial system, we provided banks with additional liquidity. That was done to support the economic activities of small, medium and large enterprises.

The insurance coverage for individual deposits was increased from KZT 700,000 to 5 million. The State helped mitigate the banking sector's risks associated with external borrowing and capital adequacy.

A total of KZT 545 billion was allocated to support housing construction and address the problems of unit holders in real estate investment associations.

To maintain business activity in the country, we provided unprecedented financial support to small and medium enterprises in an amount of KZT 275 billion. Further resolute steps were taken to reduce administrative barriers.

A new tax code providing for significantly lower rates of basic taxes was enacted.

The corporate income tax has already been reduced to 20 per cent this year, or by one third compared to last year, and the rate will be 15 per cent in 2011. The rate of value added tax (VAT) has been lowered to 12 per cent. The regressive scale of social tax rates has been replaced with a flat rate of 11 per cent. Tax benefits are available to enterprises that are making investments.

All of this has provided a most important incentive for the development of the non-commodity sector of the economy, and small and medium business.

The law on State procurement offers preferential treatment to domestic producers, which is also designed to support small and medium business.

An amount of KZT 280 billion has been allocated for the development of agribusiness, and KZT 120 billion has been made available for infrastructure projects.

In total, over KZT 2,700 billion has been injected into the national economy to counter the crisis.

You will agree that this is a powerful stimulus for overcoming the effects of the global crisis.

We are acting resolutely and expeditiously because we know what needs to be done, and when, to reduce the impact of the global crisis on our economy and society.

This response was helped by the joint and timely efforts of the country's Government and Parliament.

I want you, my fellow countrymen, to understand that all of us must rally together to withstand the pressures of the current period.

The Government must guarantee that all of its commitments to increase social benefits and the wages of public sector workers are honoured in full.

As had already been planned, the wages of those employed in the public sector and stipends will be increased by 25 per cent in 2010 and by a further 30 per cent in 2011.

The average amount of pensions will be increased by 25 per cent in 2010 and by 30 per cent in 2011.

By 2011, the base part of the pension will be raised to 50 per cent of the minimum subsistence level.

As you know, the State has provided support for students who were left without the means to pay for their tuition. All in all, the State is additionally providing 11,000 grants and 40,000 loans for students.

We are faced with the enormous tasks of overcoming the consequences of the crisis and laying the groundwork for future economic growth.

Everything that has been done so far was intended to deal with the current problems brought about by the ongoing crisis.

I propose that we should not stop, that we should move forward and implement a new plan to further modernize the economy and carry out an employment strategy to support the post-crisis development of this country.

It was during the most difficult years that we began and completed the construction of a new national capital — Astana — at a time when nobody believed that we would be able to do that. We did it, and the whole world can see it. Let us emulate that positive experience.

Yes, new resources are needed. For this purpose, I believe it would be appropriate if the revenue from the commodities sector that has traditionally been saved in the National Fund could be used to implement the new plan in 2009-2010. The total amount would be about KZT 600 billion and would be in addition to the transfers from the National Fund that have already been approved.

This is an ad hoc measure, but a necessary one. At the same time, we are preserving the level of the country's gross reserves that we have now that is, US$ 47 billion. This will give us a guarantee of stability should the current crisis continue.

Another source of resources is rigorous cost-cutting across all spending items of the budget and the strictest financial discipline. With that in mind, I am instructing the Government to optimize the expenditure of the national budget and control the use of budgetary resources on the basis of literally weekly monitoring. This request is also addressed to our parliamentarians.

The extravagance that became a habit during the period of rapid growth must give way to reasonable consumption and frugality. To be blunt, during the years when we came into money, expectations went up, staffing levels were inflated, the number of business trips increased, and all kinds of large-scale cultural events were organized. We will all need to think about this.

Those who breach financial discipline must be held accountable with all severity required at a time of crisis. All non-priority expenditure — administrative, investment and so forth — must be reduced to zero. This applies to local budgets as well.

The money thus saved will give us an opportunity, first of all, to implement an employment strategy for Kazakhs. Not only will this strategy help us cope with the shocks of the crisis, but it will also guarantee that the economy develops efficiently after the crisis is over. It should create new opportunities for every family in Kazakhstan.

The adequate availability of jobs must become the main gauge to measure the ability of members of the Government and each *akim* to ensure the sustainable development of Kazakhstan's economy.

Each *akim*, each minister must know how many jobs have been lost each week, and how many new jobs are being created at the local level. This is the very foundation of sustainable development.

To support employment and personnel retraining at the regional level, I direct the Government to earmark at least KZT 40 billion.

Resources should also be allocated from local budgets to co-finance the employment strategy.

We will create new jobs for those who are out of work. We will be able to provide jobs for at least 350,000 Kazakhs, not counting the public works that are currently under way.

We have opportunities for developing the labour market; there is no need to invent them. This is what the additionally allocated money will be used for.

First, rehabilitation and modernization of utilities, namely water, heat, power and sewage facilities and networks.

I instruct the Government, together with the *akims*, to determine what expenditure will be necessary for these purposes, and to ensure not only that this work receives financing, but also that the most rigorous control is exercised over the use of each tenge allocated from the budget.

This is invisible work, but we will have to do it anyway. It is the foundation for future development. This will give us an opportunity to create a vast number of new jobs in cities and at the local level. We will raise the purchasing power of our population. If we are to work in a smart way, those who become redundant need to be retrained in new skills.

The housing and utilities sector should have been put in order a long time ago. Let us deal with this now.

Second, construction, rehabilitation and maintenance of local roads and renovation of the social infrastructure, in particular schools and hospitals.

This is already the task of social enterprise corporations, which have a duty to ensure the maximum employment of the population. The financial side is the responsibility of the Government and the *akims*.

We must reach agreement now and tell the public directly that we will complete the schools and hospitals that are already under construction. We will postpone new projects because of the prevailing situation, but we will use the money to repair existing schools, hospitals and clinics. Again, we will create new jobs.

The construction of major highways and railways that was planned earlier will also have to be put on hold. But the money will be used to improve the roads around regional centres and cities, and inter-regional roads. By doing this, we will improve our logistics.

Third, locally important projects in each specific locality. This could be landscaping and planting of greenery, repairing roads, community centres or other facilities at the discretion of the local authorities. Targeted transfers should be made available for these purposes.

Resources must be provided to district *maslikhats* as the local self-government bodies. They should make their own decisions as to where this money can best be used to address local problems and employment issues.

I am making the *akims* personally responsible for the effectiveness of this work in general.

We should make maximum use of the potential of local producers to implement all of the above-mentioned projects. If the required production capacity is lacking today, it needs to be created, and this opens up new business opportunities.

After all, we are approaching the twentieth anniversary of our independence. Work should be undertaken all across Kazakhstan to prepare for the occasion. These are unforgettable years for our generation and for our people. There has been nothing like this in the history of the Kazakh nation and all of Kazakhstan.

We therefore need to start this work now. I believe that we should give a small amount of money, probably KZT 50-100 million, to the *akim* of each *aul* so that, under the supervision of the district *maslikhat*, they can address the current problems of members of their communities who are in distress and issue microcredits.

In that way, we will not only be addressing employment issues, but also creating incentives for the emergence of new production capacity in our country.

Fourth, creation of more social service jobs and organization of job training programmes for young people.

The current Employment Act allows us to use budget resources for these purposes. In 2008, more than 13,000 individuals benefited from these programmes.

Our task today is to expand the coverage of the existing programmes.

I am issuing instructions for an additional KZT 8.6 billion to be allocated for these purposes. We will then be able to provide work for about 96,000 people.

At the same time, we must increase, from four to six months, the maximum period during which unemployment benefits are paid from the State Social Insurance Fund.

Our employment strategy during the global crisis envisages full-scale retraining and professional development programmes.

I am instructing the Government, together with the *akims*, to organize retraining of specialists at existing training institutions.

Our population needs to learn — in the world at large, people learn all their lives. In this regard, there are opportunities and there is a need for retraining and learning new skills that are in demand today.

We are now requiring all large construction companies to allocate funds to train people in other occupations. That is how it should be everywhere. If the Government and the *akims* organize this work properly, people will embrace training opportunities and learn new skills.

Systematic retraining and professional development efforts must aim to accomplish the following goals:

Everyone who wants to take up a new occupation should have an opportunity to receive training.

Labour resources should be made available to meet the future requirements of the economy, particularly in agriculture.

Foreign workers should be gradually replaced with domestic labour. We are planning to reduce their number by one half and replace them with our people.

Furthermore, despite the global crisis and the difficulties we are experiencing during this period, we cannot afford to focus solely on dealing with these difficulties. Our future depends on further modernization of the economy and development of the basic infrastructure.

We will continue to finance and implement promising investment projects that are already under way.

This refers primarily to the modernization of oil refineries.

We have three oil refineries but we continue to buy lubes and we are not self-sufficient in jet fuel. This needs to be addressed now.

We must gradually move towards full self-sufficiency for these oil products.

We will continue building a petrochemical facility in Atyrau. We will complete the construction of the Moinak hydroelectric power plant this year and will continue expanding and upgrading the GRES-1 power plant in Ekibastuz. Only four of the eight units are operational there. This electric power is readily available and cost-effective. We will continue work at the GRES-2 power plant in Ekibastuz to build a third generating unit, and the construction of the Balkhash cogeneration plant will begin this year.

We plan to build the Beineu-Bozoi-Akbulak main gas pipeline and to modernize the Western Europe-Western China road transit corridor. Preparatory work will begin this year. There will be 5,000 people working there, and in 2010-2012 there will be up to 50,000 workers.

This is going to be an artery that will turn Kazakhstan into a transit corridor between Europe and Asia.

We have started organizing production of electric locomotives, passenger and freight cars, road binders and chemicals.

I should like to make special mention of the agribusiness sector, whose development will enable us to address simultaneously two tasks that are extremely important for this country: achieving food security and diversifying exports.

We have therefore decided to continue financing investment projects for the development of export-oriented production facilities, including projects to establish and develop dairy farms, poultry factories and fattening stations, and to organize fruit and vegetable farming with the use of drip irrigation, install assembly lines for farm machinery and develop meat-processing and fine wool processing facilities and the infrastructure for the export and deep processing of Kazakhstan's grain.

Consideration should be given to other important construction projects, including the continued construction of the Koksaray water reservoir and other major irrigation facilities.

Our target was to make 60,000 hectares of irrigated land available for use in the Kyzylkum area. Work should be started now at the sites for which feasibility studies and access roads are available. Farm produce processing is a highly important sector. Today we import 80 per cent of canned vegetables and fruit, 50 per cent of meat products and 53 per cent of powdered milk. If all of this is to be produced locally, city dwellers must go to work in the farming industry.

By our estimates, export orientation will help create more than 500,000 new jobs and will add about 8 per cent to the GDP growth rate over the next five years.

Accordingly, in line with the strategic choice that we have made, we are continuing consistently to work in those sectors of the economy where we can achieve real competitiveness and carve out niches for ourselves in external markets.

* * *

The current difficulties are not the first trial that has befallen us.

We overcame the very deep crisis of the transition period in the early 1990s.

At that time, the economy contracted by up to 60 per cent and annual inflation was in four digits.

We survived the second global crisis that originated in the Asian financial markets in the late 1990s. The price of oil fell to nine dollars per barrel. We could not pay pensions and wages. But we surmounted those difficulties.

Some time will pass and we will be able to say that we have overcome the current crisis as well.

We have every opportunity to emerge from the existing situation, with some losses, but prepared for a new round of growth.

Crises will be recurrent and our objective is to learn how to manage them. So far, we have been able to do so.

Today, we are being compelled to regroup our forces and resources, and we are doing this under the influence of external circumstances. However, that does not in any way mean that we have changed our course. This course is charted in the National Development Strategy up to 2030. Circumstances have necessitated adjustments. But I emphasize that we are staying the course.

Prosperity, security and greater well-being for all Kazakhs remain the triple priority for our State.

We have an anti-crisis plan, and sufficient resources have been allocated from the State reserves. The Government as a whole, and the Prime Minister, the heads of

government agencies and the *akims*, are personally responsible for implementing the planned anti-crisis measures.

The current problems and the way we handle them are a test of the maturity and stability of our society and our State. I believe that we will pass the test. We are going to enter a new stage in our development and to multiply our achievements. I am convinced that we will rise to the challenge.

We need the cohesion of our nation to achieve the objectives set.

I therefore call upon all Kazakhs to get started on implementing the above-mentioned measures, to demonstrate hard work and perseverance, to be frugal, and to support and care for your kith and kin and all those who need help.

I appeal to the deputies of Parliament, the *maslikhats* and the *Nur Otan* party. The voters who voted for our party have placed enormous confidence in us. Now, during the difficult times of crisis, we must live up to this confidence and spearhead the broad-based anti-crisis movement in society.

Together with the Government and local authorities, we need to address people's specific problems and exercise special control over the implementation of the anti-crisis measures and the spending of the budget resources allocated for these purposes.

I appeal to the People's Assembly of Kazakhstan, to all political forces. Now is the time when it is not words, but deeds, that will be used to judge who really cares about the people, and who does not.

Let us rally to overcome the most severe crisis in the history of this planet!

Let us not embitter the people, let us support them in word and deed. This is precisely what the State is doing now. Preserving peace and concord in this country remains an important task.

I appeal to all civil servants. The accountability of each government official to the people whom we are all serving is increasing manifold now. There is a need for more frequent on-site visits and meetings with work teams and the public. It is necessary to explain the measures being taken by the State and to rally people to deal with the problems.

I appeal to law-enforcement officers. We depend on you for peace and tranquillity in the streets of our towns and villages. Resolute and tough measures must be taken to fight crime, corruption, fraud and violations of the law. During this difficult time, every effort must be made to ensure the safety of our citizens and of society as a whole.

I appeal to the media to take an active civic stance. You are called the "fourth estate" for a reason.

The media must now act as a "counselor" to the people and advise them on the best way to withstand and overcome difficulties and survive during these difficult times. Citizens should be educated using the positive experience of other people as an example. The same role is assigned to our academic and artistic intelligentsia.

There should be more publications that promote such sentiments as confidence, personal activism, tolerance, patriotism and love for the Motherland.

Members of the *Nur Otan* party should reach out more often to households to explain what retraining opportunities are available, how loans and microcredits can be obtained and what needs to be done during the difficult years. It is important to go from door to door, to visit every family and become helpers and advisers to the ordinary people. It needs to be explained that there is nothing to be afraid of, that this is a large country and that there are plenty of work opportunities.

The success of the new stage in the country's development will largely depend on the actions we take and the decisions we make.

We have the necessary resources and experience to withstand the pressure of the global crisis. We have a clear anti-crisis programme. All the objectives that have been set are achievable.

I am confident that we will overcome all the difficulties and will make our Kazakhstan a strong and prosperous State enjoying the world's respect.